


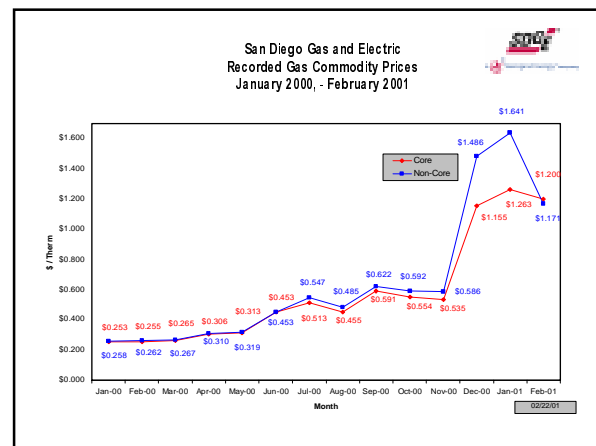
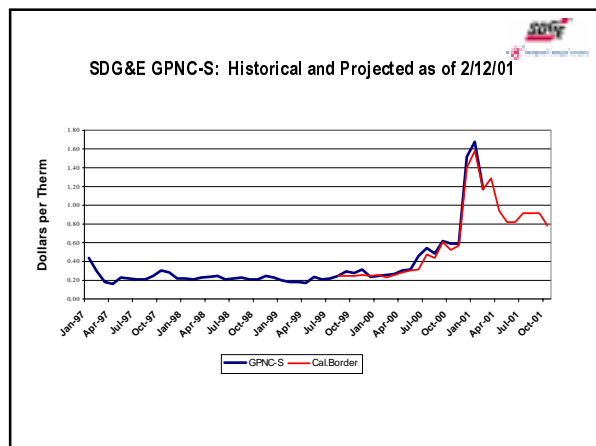
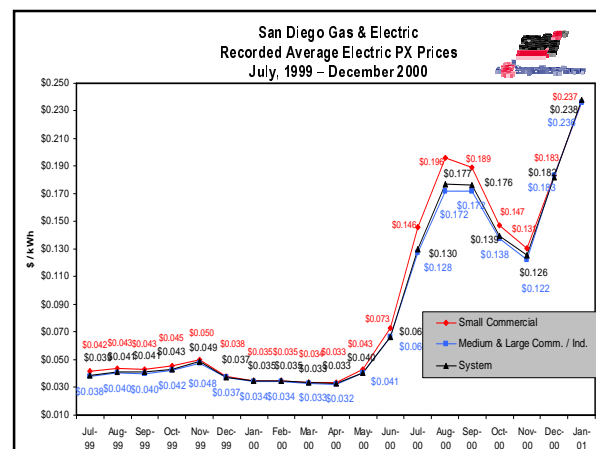
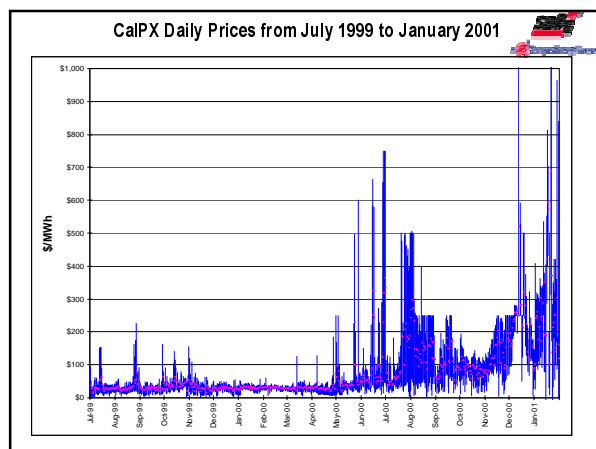
California Energy Market Overview

San Diego Gas and Electric
March 6, 2001



Overview

- Electric Cost Overview
 - Cal PX
 - SDG&E Electric Costs
- Gas Pricing
- AB 1X
 - Goals
 - Overview
 - Possible Impact
- Summer 2001



AB 1X - Goals

✧ Goals

- Ensure reliable power for CA consumers
- Minimize the need for future rate increases

AB 1X - Overview

- ✧ Signed Feb. 1, 2001 - Took effect immediately
- ✧ Authorizes the CA Dept. of Water Resources (DWR) to purchase electricity
 - Via long-term contracts up to 10 yrs in length - Cannot enter into new contracts after 1/2/03
- ✧ Addresses the issuance of up to \$10 billion in bonds
- ✧ Takes the utilities out of the commodity business
 - DWR now procures the 'net short position'
- ✧ Seems to eliminate retail end use customer's ability to choose a provider
 - Sec 80110

AB 1X - Overview, Cont.

- ✧ Seems to provide unlimited authority for DWR to procure power for the State (sec 80100)
- ✧ Outlines new responsibilities of IOUs, funds transfer issues and provides for the staffing up of DWR
- ✧ THIS LAW IS YET TO BE TESTED AND IS STILL BEING INTERPRETED - The nuances remain to be explored and understood

AB 1X - Possible Impact

- ✧ Eliminate Direct Access prospectively/ may retroactively do away with DA
- ✧ Seems to eliminate SDG&Es ability to 'take title' to power purchased by a retail end-use customer from other sources
- ✧ DWR will play a role in determining the price of the electric commodity
- ✧ DWR vs CPUC roles / responsibilities / authority

SB 43

February 9 version

- ✧ PENDING - as of February 14
- ✧ Extends the \$.065/kWh ceiling to ALL SDG&E customers (including those w/peak loads > 100kW)
- ✧ ~90% of Navy/USMC load has been uncapped and as yet has not built up any undercollection - this bill could change that.

San Diego Area is Ready for Summer 2001

- ✧ Numerous transmission improvements in 1999-2001 have more than kept up with demand.
- ✧ Reserves are available to handle extreme hot weather and contingencies

SDGE Supply Capability ~4850 MW*

Reserve Margin
4570 MW
4457 MW

Extreme Hot Summer Forecast
Normal Summer Forecast

2000 Summary



California ISO

☀ Normal Summer

37,950 MW Internal Gen - Op Res

+8,400 MW Import

46,350 MW > 46,250 MW
Peak Load

☀ Hot Summer

37,950 MW Internal Gen - Op Res

+7,100 MW Import

45,050 MW < 48,940 MW

+2,780 MW Interruptible Load
47,830 MW < 48,940 MW
Peak Load

Under the "Hot Summer" scenario, the forecast peak load exceeds the sum of the resources – including existing UDC interruptible load programs. This deficiency (1,110 MW) would reduce operating reserves below the minimum required levels.



CALIFORNIA ISO

California Independent
System Operator

Table 1: California ISO Forecasted Resource Plan

Resource	2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		2010	
	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)	Capacity (MW)	Cost (\$/MWh)
Hydro	10,000	0.05	10,000	0.05	10,000	0.05	10,000	0.05	10,000	0.05	10,000	0.05	10,000	0.05	10,000	0.05	10,000	0.05	10,000	0.05	10,000	0.05
Nuclear	2,200	0.02	2,200	0.02	2,200	0.02	2,200	0.02	2,200	0.02	2,200	0.02	2,200	0.02	2,200	0.02	2,200	0.02	2,200	0.02	2,200	0.02
Coal	1,500	0.08	1,500	0.08	1,500	0.08	1,500	0.08	1,500	0.08	1,500	0.08	1,500	0.08	1,500	0.08	1,500	0.08	1,500	0.08	1,500	0.08
Gas	15,000	0.10	15,000	0.10	15,000	0.10	15,000	0.10	15,000	0.10	15,000	0.10	15,000	0.10	15,000	0.10	15,000	0.10	15,000	0.10	15,000	0.10
Renewables	1,300	0.05	1,300	0.05	1,300	0.05	1,300	0.05	1,300	0.05	1,300	0.05	1,300	0.05	1,300	0.05	1,300	0.05	1,300	0.05	1,300	0.05
Other	100	0.05	100	0.05	100	0.05	100	0.05	100	0.05	100	0.05	100	0.05	100	0.05	100	0.05	100	0.05	100	0.05
Total	29,000		29,000		29,000		29,000		29,000		29,000		29,000		29,000		29,000		29,000		29,000	

Use in this spreadsheet is restricted from further reuse and analysis. Reproduction of the data included in this spreadsheet without permission is prohibited by the ISO and its affiliates. The ISO makes no representation or warranty.

March 2000

QUESTIONS !!

